MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 2, 2022/2023 SESSION (TERM 1D 2220)**

## BAF1614 – FUNDAMENTALS OF FINANCIAL REPORTING

(All Section / Groups)

4 JULY 2023
09:00 a.m to 12:00 p.m
(3 Hours)

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**INSTRUCTIONS TO STUDENT**

1. This question paper consists of **SIX (6)** pages excluding cover page with 4 Questions only.

2. Attempt ALL questions. The distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided

## QUESTION 1

### Part A

Alligator Bhd is selling bicycle for kids and uses perpetual inventory system to value inventory. The following information is available for the month of January 2023:

| Date | Transaction | Purchases | | Sales | |
|---|---|---|---|---|---|
| | | Units | Unit Cost (RM) | Units | Selling price/Unit (RM) |
| 1 January | Beginning inventory | 50 | 300 | | |
| 4 January | Purchase | 20 | 350 | | |
| 6 January | Sales | | | 10 | 450 |
| 9 January | Purchase | 25 | 320 | | |
| 15 January | Purchase | 30 | 380 | | |
| 20 January | Sales | | | 20 | 500 |
| 22 January | Sales | | | 10 | 480 |
| 29 January | Purchases | 10 | 360 | | |
| 31 January | Sales | | | 5 | 420 |

**Required:**

Using perpetual Average Cost Method:

a) Compute the value of purchases, cost of goods sold (2 decimal place) in January 2023 and ending inventory on 31 January 2023.

(10 marks)

b) Prepare journal entries for the cost of goods sold in January 2023 based on your workings in part (a).

(8 marks)

### Part B

Limo Bhd purchased a new machine for RM48,000 on 1st January 2022. The company estimated that this machine could be used for 5 years and at the end of year 5, the value of the machine is RM4,000. Assuming that the accounting period ends on 30th June every year.

**Required:**

a). Compute the depreciation expense using straight-line method and double declining balance method at the end of 30th June 2022.

(4 marks)

b). Prepare journal entries to record the depreciation on 30th June 2022. (Record the journal entries using straight-line method and double declining balance method).

(3 marks)

**[Totals 25 marks]**

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## QUESTION 2

### Part A

Lala Bhd sold five-year 10% bonds on January 1, 2017 for RM280,000 (discount of RM20,000). Interest is payable on January 1 each year.

**Required:**

a). Prepare journal entries to record accrued interest at December 31, 2020.

(3 marks)

b). Compute the amortisation of bond discount (using straight line method).

(12 marks)

### Part B

Given below is the comparative statements of financial position for Literacy Bhd.

| | 2020 (RM) | 2021(RM) |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Inventory | 130,000 | 140,000 |
| Cash | 80,000 | 75,000 |
| Accounts Receivable | 280,000 | 320,000 |
| | | |
| Property, plant and equipment | 250,000 | 280,000 |
| | | |
| Intangible assets | 15,000 | 12,000 |
| **TOTAL ASSETS** | **755,000** | **827,000** |
| | | |
| **LIABILITIES** | | |
| Current liabilities | 105,000 | 97,000 |
| | | |
| Long term liabilities | 350,000 | 350,000 |
| | | |
| Stockholders equity | 300,000 | 380,000 |
| **TOTAL LIABILITIES AND EQUITY** | **755,000** | **827,000** |

**Required:**

a) Prepare a horizontal analysis of statement of financial position data for Literacy Bhd using 2020 as a base(2 decimal place).

(10 marks)

**[Total 25 marks]**

**Continued...**

## QUESTION 3

### Part A

The ledger of U Rental Sdn. Bhd. on 31 May 2023, includes the selected accounts, shown below, before adjusting entries have been prepared. The company adjusts its accounts at the end of each month.

| | Debit (RM) | Credit (RM) |
|---|---|---|
| Fixtures and Fittings | 48,000 | |
| Accumulated depreciation- Fixtures and Fittings | | 16,800 |
| Prepaid Insurance | 2,400 | |
| Unearned rent revenue | | 24,000 |
| Salaries and Wages Expense | 15,000 | |
| Supplies | 5,600 | |
| Bank loan | | 20,000 |

Additional information:

i) The fixtures and fittings depreciate at RM5,000 per month.
ii) The insurance expires at the rate of RM300 per month.
iii) One-third of the unearned rent revenue was recognised as revenue during the month.
iv) Salaries and wages expense of RM2,000 is accrued.
v) Supplies on hand total RM1,500.
vi) Interest on bank loan of RM200 owed on May 31, 2023.

**Required:**

Prepare the adjusting entries as at May 31, 2023.

(12 marks)

### Part B

An examination of the accounts of Vi Sdn. Bhd. for the April 2023 revealed the following errors after the transactions were journalized and posted.

i) Vi Sdn. Bhd. purchased equipment costing RM10,000 on credit. The transaction was recorded as a debit to Equipment RM100,000 and a credit to Accounts Payable RM100,000.

ii) Vi Sdn. Bhd. journalised and posted a RM1,000 for services provided on account for a customer as a debit to Cash RM1,000 and a credit to Service Revenue RM1,000.

iii) When making the entry to record the year's depreciation expense on Office Equipment, the bookkeeper of Vi Sdn. Bhd. debited Accumulated Depreciation for RM3,000 and credited Depreciation Expense for RM3,000.

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iv) When accruing interest on a note payable, the bookkeeper debited Interest Payable for RM800 and credited Interest Receivable for RM800.

v) Cash of RM1,320 was received as payment on account. The bookkeeper debited Accounts Payable for RM1,230 and credited Accounts Receivable for RM1,230.

**Required:**

Prepare the correcting entries for each of the above assuming the erroneous entries are not reversed.

(6 marks)

**Part C**

Lightning Delivery Services Sdn. Bhd (LDS). was incorporated on 1 January 2023. The following transactions occurred during January:

i) The owner of the business invested RM100,000 cash in starting the business.

ii) Bought two used delivery trucks at the cost of RM25,000 each. LDS paid RM15,000 cash and signed a note due in two years for RM35,000 (ignore interest).

iii) Paid RM10,000 cash to Great Auto Sdn. Bhd. to perform regular repairs on the delivery trucks.

iv) Bought office supplies costing RM3,000 in cash.

v) Paid RM450 cash for advertisement in the Logistics Magazine.

vi) Received RM8,000 cash for services rendered.

**Required:**

Depict the above transactions in a table with the following column headings and fill up the 'Remarks' column where necessary for the month ended 31 January 2023:

| | ASSETS | | | LIABILITIES | OWNER'S EQUITY | |
|---|---|---|---|---|---|---|
| **Trans** | **Cash** | **Motor Vehicles** | **Office Supplies** | **Accounts Payable** | | **Remarks** |
| **E.g (i)** | **100,000** | | | | **100,000** | **Investment** |

(7 marks)

**[Total 25 marks]**

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## QUESTION 4

Big Builder Berhad produced the following trial balance as at 31 December 2022.

| | Debit RM | Credit RM |
|---|---|---|
| Land and Buildings | 1,000,000 | |
| Machinery | 980,000 | |
| Motor vehicles | 300,000 | |
| Accumulated depreciation-Machinery | | 588,000 |
| Accumulated depreciation-Motor vehicles | | 66,000 |
| Intangible assets | 100,000 | |
| Inventory, 1 Jan | 278,000 | |
| Supplies | 66,200 | |
| Account receivables and Payables | 130,000 | 114,200 |
| Cash | 194,400 | |
| 10% Note payable, 10 years | | 450,000 |
| Share capital-ordinary | | 1,200,000 |
| Retained earnings, 1 Jan | | 274,000 |
| Purchases and sales | 526,000 | 1,297,000 |
| Discount received | | 8,000 |
| Purchase return and sales return | 20,000 | 2,800 |
| Freight in | 9,200 | |
| Salary expense | 110,000 | |
| Prepaid rent | 72,000 | |
| Interest paid | 10,200 | |
| Dividends | 204,000 | |
| | 4,000,000 | 4,000,000 |

**Additional information:**

i) No depreciation charges have yet been recognised for the year ended 31 December 2022. The depreciation rates are:
   a. Machinery - 15% on a straight-line basis
   b. Motor vehicles - 20% on a straight line basis

ii) The intangible assets were acquired on 1 January 2022 and have a useful life of 10 years from that date.

iii) Big Builder rents space at the cost of RM6,000 per month. On August 1, 2022, Big Builder paid one year's rent in advance using cash. This prepayment was recorded on August 1, 2022 but no adjustment has made.

iv) The inventory on 31 December 2022 has been valued at RM163,400.

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v) Salaries paid in advance were RM10,000.

vi) Supplies used during the financial year are RM 40,000.

vii) The interest balance on the note payable has yet to be paid for the year.

**Required:**

a) Prepare the statement of profit or loss for the year ended 31 December 2022. (10 marks)

b) Prepare the retained earnings statement for the year ended 31 December 2022. (3 marks)

c) Prepare the statement of financial position as at 31 December 2022. (12 marks)

**[Total 25 marks]**

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